

ARIZONA DEPARTMENT OF WATER RESOURCES

Office of Assured and Adequate Water Supply

3550 North Central Avenue, Phoenix, Arizona 85012

Telephone 602 771-8500

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Janet Napolitano
Governor

Herbert R. Guenther
Director

July 11, 2007

Mr. Roy Tanney
Arizona Department of Real Estate
2910 N. 44th Street
Phoenix, Arizona 85018

Water Report #53-700367.0000

Subdivision Name: Frontier Cove

Owner: Frontier Condos, LLC, an
Arizona limited liability company

Number of lots: 9

County: Gila

Township 10 North, Range 10 East, Section 4
Lots 1 thru 9, inclusive

Water provided by: Town of Payson

Water Type: Groundwater

Current water depth: No Information Provided

Estimated 100-year depth: No Information Provided

Current decline rate: No Information Provided

Basin: Verde Canyon

Dear Mr. Tanney:

Pursuant to A.R.S. § 45-108, the Department of Water Resources has reviewed the available information pertaining to the water supply for the above-referenced subdivision. This letter constitutes the Department's report on the subdivisions water supply as required by A.R.S. § 45-108(A).

Adequacy of the 100-year water supply was reviewed by the Department with regard to physical, legal and continuous availability, water quality, and financial capability. No information has been provided to the Department that indicates that the applicant has satisfied the adequate water supply requirements as set forth in A.A.C. R12-15-701 *et seq.* Therefore, the Department of Water Resources finds the water supply to be inadequate to meet the subdivision's projected needs.

Pursuant to A.R.S. §32-2181(F) a summary of the Department's report for those with an inadequate water supply be included in all promotional material and contracts for sale of lots in the subdivisions. We suggest the following synopsis:

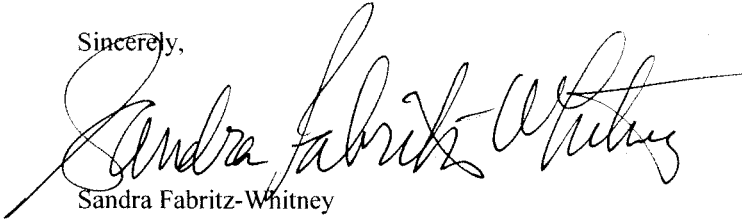
"Frontier Cove subdivision is being served groundwater by Town of Payson. The developer has chosen not to demonstrate a 100-year adequate water supply. The applicant has not demonstrated that the criteria for physical, legal and continuous availability, water quality, and financial capability have been met. Therefore the Department must find the water supply to be inadequate. For additional information please contact Rosemary Lopez, of the Office of Assured and Adequate Water Supply at (602) 771-8585."

The developer, pursuant to A.R.S. §32-2181(F), may suggest a different summary of this report, but it must contain the above elements and/or the Department's findings.

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Water Report
Frontier Cove subdivision

This letter is being forwarded to your office as required by A.R.S. § 45-108. This law requires the developer to hold the recordation of the subdivision's plat until receipt of the Department's report on the subdivision's water supply. By copy of this report, the Gila County Recorder is being officially notified of the developer's compliance with the law.

Sincerely,

A handwritten signature in black ink, appearing to read "Sandra Fabritz-Whitney". The signature is fluid and cursive, with a long horizontal line extending from the end of the name.

Sandra Fabritz-Whitney
Assistant Director
Water Management Division

cc: Gila County Planning and Zoning
Gila County Recorder
Ralph Bossert, Tetra Tech, Inc.
Colin "Buzz" Walker, Town of Payson
Rosemary Lopez, Office of Assured and Adequate Water Supply